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JUN 1963

MEMORANDUM FOR: Chief, Audit Staff

SUBJECT : Report of Audit of Accounts Branch, Finance Division, for the period ending 30 November 1962, dated 5 March 1963

REFERENCES : (a) Memorandum from Director of Logistics, to Chief, Audit Staff, dated 19 April 1963, same subject  
(b) Memorandum to Chief, Audit Staff, from Chief, Finance Division, dated 15 May 1963, same subject

This memorandum supplements reference (b) by commenting on the paragraphs of subject which involve basic procedural questions. The comments which follow are keyed to the corresponding paragraphs of the Audit Report.

a. Paragraphs 5, 6, and 7

Paragraph 7 of subject recommends that the Office of Logistics in conjunction with the Office of the Comptroller, revise procedures to strengthen control over documents evidencing both increases and decreases in inventory to better assure that all transactions are processed. We fully recognize that good document control is essential to the maintenance of an integrated financial property accounting procedure. Until receipt of reference (a) which states the view that additional document control is not deemed feasible, we had planned to suggest an immediate joint study with the Office of Logistics to make an objective appraisal of benefits to be derived from strengthening controls over documents for each of the several categories of transactions which affect inventories. Such an appraisal would have served as an objective basis for determining whether potential benefits would warrant further procedural changes.

In view of the position of the Office of Logistics on this matter as expressed in reference (a), we have given further consideration to the importance of this particular point in relation to other procedural improvements in which the assistance of the Office of Logistics has or is in the process of being solicited. These include:

- (1) Recent change in procedure under which the Office of Logistics is now preparing covering transmittal sheets for shipping documents transmitted to the Finance Division.

DOC	19	REV DATE	11/03/80	BY	018995
ORIG COMP	09	DPI	28	TYPE	02
ORIG CLASS	S	PAGES	2	REV CLASS	C
JUST	22	NEXT REV	20/10	AUTH	HR 10-2

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- (2) The Office of Logistics, as discussed in paragraph c, below has been requested to revise procedures in connection with property sales transactions to facilitate the maintenance of Account 152.5 - Accounts Receivable - Property Sales.
- (3) Under current plans for procedural improvements of the property accounts payable procedures by this Office, the Office of Logistics will be provided with current listings of transactions requiring follow-up action by it, thereby permitting clearances of accounts on a current basis and identification of areas of deficiency in document flow.

We believe, in balance, that emphasis should be given to implementing the above procedures on a current and continuing basis before giving any further consideration to the basic document control problem. When the changes referred to above have been fully implemented, a better determination can be made as to the need for further tightening of basic property document control techniques.

b. Paragraphs 17 and 18

As recognized by the Audit Report, the accounts payable procedures have been under review. Proposals for substantive changes in the specifics of procedures now followed are being developed and will be available for coordination with the Office of Logistics in the near future. You will be furnished copies of any changes in procedure which are adopted.

c. Paragraph 19

A proposal has been made to the Office of Logistics for revisions of the Accounts Receivable - Property Sales Procedures, effective 1 July 1963, to (a) eliminate the processing through Account 152.5 of documentation representing material to be traded-in on the procurement of like material, (b) assign a four digit identification number to each vendor to whom property is sold and to establish such number as the primary control for the preparation of machine listings, (c) request the Office of Logistics to forward copies of all documents which are the basis for entries to Account 152.5 to the Finance Division on a daily basis, and (d) revise certain related property transaction-analysis codes. Changes required in the procedures for recording barter transactions under the [REDACTED] program have not as yet been fully resolved.

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